GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2209
ANSWERED ON:10.03.2006
INTEREST RATE FOR EXPORTERS
Rawat Shri Ashok Kumar;Shiwankar Shri Maha Deo Rao;Yadav Shri Kailash Nath Singh

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has approved a scheme to reduce the rate of interest on bank loan for the exporters;

(b) if so, the details thereof;

(c) whether the Resen`e Bank of India has implemented the recommendations of the task force constituted to look into the issue of reducing the rate of interest for exporters; and

(d) if so, the details of recommendations of the task force and the number of the recommendations accepted by the Government?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (d) : A Working Group constituted by RBI consisting of officials of RBI, select banks and representatives of exporters` organizations set up to review the scheme of export credit, conducted a review of the current interest rate on export credit in Rupees and in foreign currency.

Taking into account the request of the exporters` organizations the Group has recommended vide its report dated May 9, 2005 that the present interest rate prescription by RBI may continue for the time being in respect of export credit in Rupees, in the interest of the small and medium exporters.

In respect of export credit in foreign currency, in order to sufficiently cover the cost of funds borrowed by banks from abroad, the Group recommended that the interest rates may be raised by 25 basis points, (i.e. LIBOR + 1.00% for the first slab and additional 2% for the second slab). Reserve Bank of India has not accepted this proposal so far.